Governments plan on banking sector

Why in news?

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Union government is working with new reforms in Indian banking sector to address NPA related issues.

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What are the plans on resolution of NPAs?

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- Union government has consideration in the resolution of NPAs and treatment accorded to entrepreneurs in industry.
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- There are various diagnostics being analysed on a case-by-case basis on the reasons of rising NPAs.
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- By determining whether NPAs are emerging because of malafide intentions or due to general economic slow-down, the treatment would differ accordingly.
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- Investigating agencies are also mandated to hold the responsibility of the board of directors of banks, chartered accountants, auditors and legal experts associated with the industry where NPAs are rising.
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What is plan on PSBs recapitalization?

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- Centre’s recapitalisation plan envisaged few reforms, the reforms would be differentiated amongst public sector banks (PSBs).
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- PSBs that have managed their balance sheet well will have front-loading of recapitalisation bonds.
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- The other banks will receive government support based on their resolve to undertake reforms in a time-bound manner.
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- These reforms will be measured in terms of capacity of banks to become “slim and trim” and follow better focused business strategies, including sale of non-core assets.
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- The Government is also considering governance reforms for all PSBs, which aims to ensure that money is properly utilised to strengthen the balance sheet of PSBs.
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What are the other plans on banking?

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- Finance commissions are set up regularly and a permanent fiscal body for setting GST rates has been established.
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- The Government is also considering a permanent banking commission to address concerns.
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- There are also plans for periodical consideration of well-represented banking committees to provide a strategic road map for reforms.
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Source: Business Line

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